

FDIC State Profile

Fall 2005

New Hampshire

New Hampshire's employment continues to expand following the 2001 recession.

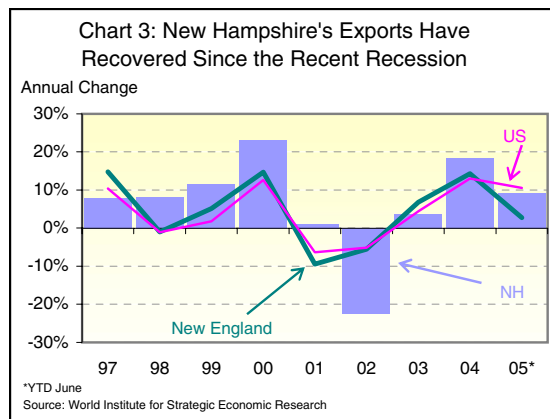
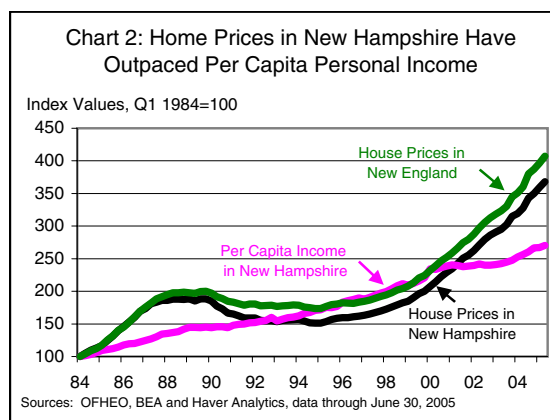
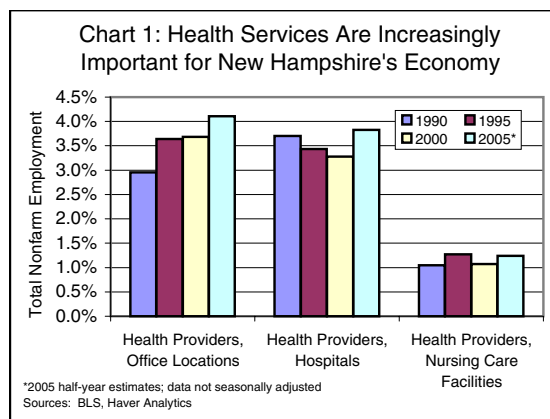
- New Hampshire lost 20,000 jobs, or slightly above 3.0 percent of total nonfarm employment, during the recession. Those losses were reversed by March of this year, and growth has continued. As of July, the net gain from the previous peak amounted to 6,000 jobs, or 1.0 percent.
- Unemployment in New Hampshire has declined significantly. For most of this year, it hovered near 3.5 percent, which is well below the national rate.
- The announcement by the Base Realignment and Closure Commission removing the Portsmouth Naval Shipyard from the list of recommended closures is extremely good news for the state's employment picture and overall economy.

Health care jobs have grown in importance in New Hampshire.

- Employment in health services has increased substantially over time and accounts for an increasing percentage of nonfarm employment (see Chart 1). Increases were heavily concentrated in medical offices outside of hospitals.
- As of the first half of this year, the employment percentage in health services and social assistance was 11.8 percent in New Hampshire, compared to 13.7 percent for all of New England and 10.9 percent nationally. New Hampshire is near the regional norm in terms of percentage of employment in medical offices outside of hospitals, below the regional norm in terms of hospital employment, and much below the regional norm in terms of resident care and social assistance.

House prices have continued to rise rapidly in New Hampshire.

- Since 1984, house prices in New Hampshire have increased much more than per capita personal income in the state (see Chart 2). Increases in house prices through second quarter 2005 averaged 6.3 percent per year, compared to increases in per capita income that averaged



State Profile

4.8 percent. Declining mortgage rates contributed to the strength in house prices, as the 30-year conventional rate ranged from a high of more than 13 percent in 1984 to a low during 2003 of 5.5 percent.

- Over the four quarters ended second quarter 2005, house prices rose by 12.4 percent in New Hampshire. House prices in the region rose by 13.0 percent, while nationally the increase was 13.4 percent. These increases—in the state, region, and nation—have been very impressive, but are unlikely to be sustained given the slower rate of per capita income growth and upward trends in interest rates.

New Hampshire's top export sectors are all clearly in recovery.

- New Hampshire exports, concentrated in capital intensive or economically sensitive categories, declined significantly in the last recession but have been growing for several years (see Chart 3).
- The state's top three export sectors are computer and electronic products, at 32 percent of the total; machinery, at 22 percent; and electrical equipment, appliances, & components, at 6 percent. Electronics drove export growth in 2000, reaching a point almost 50 percent above current levels. Machinery exports have been growing slowly but steadily since the end of the 1990s.
- New Hampshire's exports account for only 4.4 percent of gross state product, the second lowest share in New England (after Rhode Island) and well below the national average of 7 percent.

Community institutions in New Hampshire remain profitable but mortgage lenders experience more stable earnings.

- New Hampshire's community institutions¹ remained profitable through the second quarter of 2005; community mortgage specialists² began to experience some improvements in earnings after declines in 2004 (see Chart 4). Other community institutions reported improved net interest income, steady noninterest income and expenses, but saw earnings fall in 2004 from reduced gains on security sales. Net interest margins improved in the first half of 2005 as asset yields increased.
- The state's community mortgage lenders reported a slight increase in earnings as of June 30, 2005, after declines in 2004 from reduced net interest margins. Noninterest

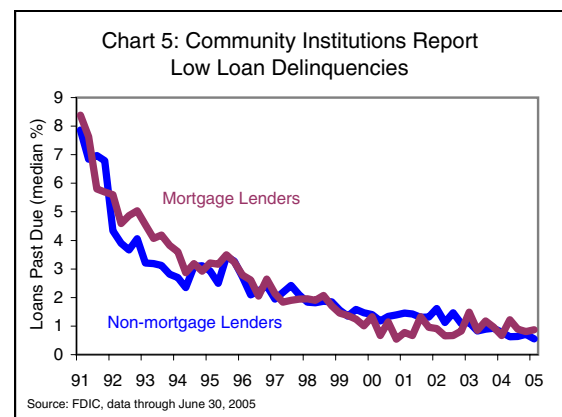
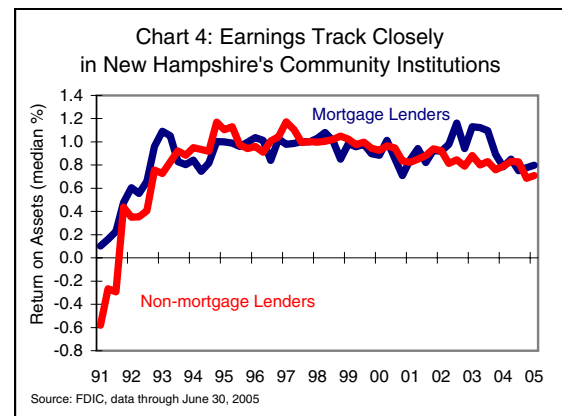
income and expenses have been steady as have provision expenses.

New Hampshire's community institutions report low loan delinquencies.

- Loan quality remains strong since the New England economy began to recover in the early 1990s. The median delinquent loan rate in both the community mortgage lenders and other community institutions was below 1 percent as of June 30, 2005 (see Chart 5).

The hurricanes could increase energy costs and affect consumer spending.

- The direct effects from Hurricanes Katrina and Rita on New Hampshire's economy were slight, but higher energy costs occasioned by the storms could be felt for some time. New England already has the highest residential cost per kilowatt hour of electricity in the country. This past year New England was the coldest region in the United States. Even before the hurricanes, a sharp increase in heating costs previously forecast for this year could reduce consumer purchases.



¹Insured institutions with assets of less than \$1 billion, excluding institutions less than three years old and specialty institutions.

²Insured institutions with assets of less than \$1 billion with mortgage related assets greater than 50 percent of total assets.

New Hampshire at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q2-05	Q1-05	Q2-04	2004	Q2-04
Total Nonfarm (share of trailing four quarter employment in parentheses)	1.8%	2.1%	1.8%	1.4%	-0.1%
Manufacturing (13%)	0.9%	1.8%	-0.6%	-0.1%	-5.4%
Other (non-manufacturing) Goods-Producing (5%)	3.1%	5.8%	3.6%	2.4%	3.6%
Private Service-Producing (68%)	2.1%	2.0%	2.4%	2.1%	0.3%
Government (14%)	1.2%	1.9%	0.5%	-0.5%	2.0%
Unemployment Rate (% of labor force)	3.5	3.6	3.9	3.8	4.5

Other Indicators	Q2-05	Q1-05	Q2-04	2004	Q2-04
Personal Income	6.4%	6.6%	8.5%	7.1%	2.5%
Single-Family Home Permits	-0.4%	-9.0%	0.6%	7.9%	-5.3%
Multifamily Building Permits	-49.3%	-32.1%	56.0%	20.6%	12.3%
Existing Home Sales	N/A	N/A	4.2%	7.1%	6.7%
Home Price Index	12.4%	12.6%	11.0%	11.3%	9.4%
Bankruptcy Filings per 1000 people (quarterly annualized level)	4.18	3.91	3.71	3.57	3.63

BANKING TRENDS

General Information	Q2-05	Q1-05	Q2-04	2004	Q2-04
Institutions (#)	30	30	30	30	31
Total Assets (in millions)	31,668	30,809	28,634	31,162	29,662
New Institutions (# < 3 years)	0	0	0	0	0
Subchapter S Institutions	0	0	0	0	0

Asset Quality	Q2-05	Q1-05	Q2-04	2004	Q2-04
Past-Due and Nonaccrual Loans / Total Loans (median %)	0.80	0.76	0.73	0.78	0.94
ALLL/Total Loans (median %)	0.98	0.97	1.01	0.97	1.06
ALLL/Noncurrent Loans (median multiple)	4.53	4.48	4.30	4.21	2.87
Net Loan Losses / Total Loans (median %)	0.00	0.00	0.00	0.01	0.05

Capital / Earnings	Q2-05	Q1-05	Q2-04	2004	Q2-04
Tier 1 Leverage (median %)	8.74	8.71	8.75	8.60	8.73
Return on Assets (median %)	0.78	0.76	0.81	0.86	0.89
Pretax Return on Assets (median %)	1.12	1.09	1.14	1.19	1.42
Net Interest Margin (median %)	4.08	4.13	4.01	4.08	4.15
Yield on Earning Assets (median %)	5.55	5.45	5.22	5.29	5.65
Cost of Funding Earning Assets (median %)	1.61	1.49	1.25	1.37	1.55
Provisions to Avg. Assets (median %)	0.02	0.05	0.02	0.03	0.08
Noninterest Income to Avg. Assets (median %)	0.61	0.50	0.54	0.56	0.58
Overhead to Avg. Assets (median %)	3.14	3.09	3.06	3.03	2.98

Liquidity / Sensitivity	Q2-05	Q1-05	Q2-04	2004	Q2-04
Loans to Assets (median %)	70.4	70.7	67.3	69.6	66.3
Noncore Funding to Assets (median %)	18.9	17.5	18.2	19.3	17.9
Long-term Assets to Assets (median %, call filers)	17.2	16.2	10.1	15.5	15.6
Brokered Deposits (number of institutions)	7	7	6	6	5
Brokered Deposits to Assets (median % for those above)	3.0	2.5	2.0	2.0	3.8

Loan Concentrations (median % of Tier 1 Capital)	Q2-05	Q1-05	Q2-04	2004	Q2-04
Commercial and Industrial	40.5	39.2	42.4	39.1	45.0
Commercial Real Estate	220.0	232.6	198.7	237.0	198.7
Construction & Development	26.6	26.3	21.3	26.3	21.3
Multifamily Residential Real Estate	7.9	8.8	6.1	7.1	6.1
Nonresidential Real Estate	166.8	161.3	153.7	160.0	158.0
Residential Real Estate	365.1	362.3	362.3	366.5	357.8
Consumer	25.5	23.4	24.7	24.6	25.4
Agriculture	0.0	0.0	0.0	0.0	0.0

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Manchester-Nashua, NH	14	6,489	< \$250 million	15 (50%)
			\$250 million to \$1 billion	12 (40%)
			\$1 billion to \$10 billion	2 (6.7%)
			> \$10 billion	1 (3.3%)